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GAETANO REALTY CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

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M. R. WEISER & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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Gaetano Realty Corporation

We have reviewed the accompanying balance sheets of Gaetano Realty Corporation as of December 31, 1981 and 1980, and the related statements of income and retained earnings (deficit) and changes in financial position for the years then ended and supplemental schedules of realty operating expenses and administrative expenses, also for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Gaetano Realty Corporation.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As set forth in Note 5 to the financial statements, the Company has not recorded unpaid interest of approximately \$70,000 payable in connection with a contract to purchase real property nor has it recorded the asset and the related liability. Generally accepted accounting principles require that such amounts be recorded and reflected in the financial statements.


CERTIFIED PUBLIC ACCOUNTANTS

New York, N. Y.
February 16, 1982

GAETANO REALTY CORPORATION

BALANCE SHEETS

DECEMBER 31, 1981 AND 1980

(See Accountants' Review Report)

A S S E T S

	<u>1981</u>	<u>1980</u>
Rental property and equipment at cost less accumulated depreciation	\$1,263,781	\$1,342,278
Deposit on property	69,515	69,515
Cash	20,115	10,710
Rents and other receivables	4,980	4,501
Rent security accounts	20,071	22,452
Prepaid expenses	15,620	18,420
Due from officer/stockholder		20,763
Due from affiliates	30,658	30,893
	<u>\$1,424,740</u>	<u>\$1,519,532</u>

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Liabilities:

Mortgages payable	\$1,521,877	\$1,576,869
Short-term notes payable to bank	37,000	43,000
Notes payable - other	9,500	11,500
Accounts payable	66,355	29,395
Accrued expenses, taxes and other current liabilities	34,161	44,773
Tenants' security deposits	20,071	22,452
Due to officer/stockholders	40,000	3,000
Due to affiliates		21,960
	<u>1,728,964</u>	<u>1,752,949</u>

Stockholders' deficiency:

Capital stock - no par value - authorized 200 shares; issued and outstanding - 20 shares	10,000	10,000
Deficit	(314,224)	(243,417)
	<u>(304,224)</u>	<u>(233,417)</u>
	<u>\$1,424,740</u>	<u>\$1,519,532</u>

See accompanying notes to financial statements

GAETANO REALTY CORPORATION

STATEMENTS OF INCOME AND RETAINED EARNINGS (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

(See Accountants' Review Report)

	<u>1981</u>	<u>1980</u>
Revenue:		
Rentals	\$ 626,544	\$ 591,886
Interest	2,915	1,527
Washers, dryers and sundry	9,366	2,767
Contracting income (loss)	<u>22,029</u>	<u>(9,393)</u>
	<u>660,854</u>	<u>586,787</u>
Expenses (exclusive of depreciation):		
Realty operating	364,158	330,015
Interest	209,166	187,574
Administrative	<u>58,615</u>	<u>50,165</u>
	<u>631,939</u>	<u>567,754</u>
Income before depreciation	28,915	19,033
Depreciation	<u>99,722</u>	<u>98,044</u>
Net loss	(70,807)	(79,011)
Deficit, beginning of year	<u>(243,417)</u>	<u>(164,406)</u>
Deficit, end of year	<u><u>\$(314,224)</u></u>	<u><u>(\$243,417)</u></u>

See accompanying notes to financial statements

GAETANO REALTY CORPORATION

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980
(See Accountants' Review Report)

	<u>1981</u>	<u>1980</u>
Cash provided by:		
Operations:		
Net loss	\$(70,807)	\$(79,011)
Add expenses not requiring the current outlay of cash - depreciation	<u>99,722</u>	<u>98,044</u>
Total funds provided by operations	28,915	19,033
Repayment of loans to, and additional loans from, officer/stockholders and affiliates	57,763	143,286
Increase in accounts payable and accrued expenses	26,348	
Other - net	<u>2,556</u>	<u>14,402</u>
Total cash provided	<u>115,582</u>	<u>176,721</u>
Cash used for:		
Mortgage principal repayment	54,992	92,617
Repayment of amounts due to affiliates	21,960	24,740
Repayment of short-term notes payable to bank	6,000	28,000
Additions to property and equipment	21,225	18,141
Payment of notes payable - other	<u>2,000</u>	<u>3,500</u>
Total cash used	<u>106,177</u>	<u>166,998</u>
Increase in cash	<u>\$ 9,405</u>	<u>\$ 9,723</u>

See accompanying notes to financial statements

GAETANO REALTY CORPORATION

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

(See Accountants' Review Report)

	<u>1981</u>	<u>1980</u>
Salaries	\$ 27,750	\$ 22,415
Payroll taxes and employee benefits	3,750	5,391
Telephone	554	1,573
Legal and accounting	16,764	8,281
Travel and entertainment	1,941	1,759
Office expense	3,165	2,800
Truck expenses	1,510	4,377
State franchise taxes	2,500	2,500
Sundry	<u>681</u>	<u>1,069</u>
	<u>\$ 58,615</u>	<u>\$ 50,165</u>

GAETANO REALTY CORPORATION

SUPPLEMENTAL SCHEDULE OF REALTY OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

(See Accountants' Review Report)

	<u>1981</u>	<u>1980</u>
Real estate taxes	\$ 62,246	\$ 63,789
Salaries	23,980	28,953
Payroll taxes and employee benefits	3,610	2,487
Gas and electricity	153,926	152,233
Maintenance of buildings	75,083	39,860
Telephone		255
Water and sewer	11,322	10,451
Cable television	2,729	2,438
Elevator maintenance	2,919	3,665
Advertising	6,731	3,557
Other professional fees	1,435	175
General insurance	<u>20,177</u>	<u>22,152</u>
	<u>\$364,158</u>	<u>\$330,015</u>

GAETANO REALTY CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (See Accountants' Review Report)

1. Summary of significant accounting policies:

Rental property and equipment:

Property and equipment is stated at cost. Depreciation is provided, generally, by the straight-line method over the estimated useful lives of the assets.

Income taxes:

Investment tax credits are applied as a reduction of the provision for Federal income taxes in the year in which they are utilized under the "flow-through" method.

2. Rental property and equipment:

Rental property and equipment consists of the following:

	1981	1980	Useful Life in Years
Land held for development	\$ 21,148	\$ 21,148	
Land	246,248	246,248	
Buildings and improvements	1,555,656	1,535,392	10-25
Furniture, fixtures and equipment	201,448	200,488	5-10
	2,024,500	2,003,276	
Less accumulated depreciation	760,719	660,998	
	<u>\$1,263,781</u>	<u>\$1,342,278</u>	

Land and building are substantially all pledged as collateral to mortgages payable.

3. Mortgages payable:

Mortgages payable consist of the following:

Property	Maturity Date	Interest Rate	Monthly Payments (Including Interest)	Amount December 31,	
				1981	1980
1506 Whitesboro Street	6/ 1/89	9.25%	\$5,960	\$ 613,249	\$ 627,328
300-06 Columbia Street	2/28/82	7 1/2%	142	273	1,891
300-06 Columbia Street (2nd mortgage)	3/ 1/84	(1)	350	7,829	11,050
326-34 Columbia Street	11/24/82	7 1/2%	656 (2)	1,969	4,594
1416-20 Oneida Street	7/ 1/85	9 1/8%	512	36,509	39,193
Hotel Snyder	5/ 1/88	9 1/2%	3,451	344,120	352,408
209 Elizabeth Street	1/ 1/87	9 1/4%	4,667	433,407	448,553
171 Genesee Street	3/ 1/84	8 1/2%	250	15,308	16,931
1417 Genesee Street	1/ 2/85	10 1/2%	400	30,961	32,425
1425 Genesee Street	9/11/89	7%	404	28,733	31,470
315 Rutger Street	9/ 1/86	9 1/8%	204	9,519	11,026
				<u>\$1,521,877</u>	<u>\$1,576,869</u>

(1) Interest rate: 13% (1981) and 10% (1980).

(2) Quarterly.

Maturities of long-term debt for each of the five years from December 31, 1981 are as follows:

1982	\$ 62,000
1983	63,000
1984	74,000
1985	113,000
1986	67,000

4. Income taxes:

As of December 31, 1981, the Company has available net operating loss carryforwards of approximately \$179,000 which expire as follows:

December 31, 1991	\$ 2,000
1992	34,000
1993	3,000
1995	79,000
1996	61,000
	<u>\$ 179,000</u>

As of December 31, 1981, the Company also has available unused investment tax credits of approximately \$8,000 which expire as follows:

December 31, 1993	\$ 1,000
1994	5,000
1995	1,000
1996	<u>1,000</u>
	<u>\$ 8,000</u>

5. Deposit on property and unrecorded liability:

In July 1976, the Company entered into an agreement to acquire certain property for \$700,000, payable \$25,000 upon execution of the agreement, \$50,000 in construction services (to be rendered by an affiliated company), \$25,000 in each of 1977 and 1978 and the balance at the rate of \$50,000 per year, plus interest on the unpaid portion at 5% per year. Title to the property is to be retained by the seller until the Company has paid at least 50% of the total purchase price. The Company is required to maintain the property and is entitled to receive all rents therefrom.

As of December 31, 1981, construction services totalling \$44,515 have been rendered to the seller. The cost of the property and the related liability have not been recorded; however, the initial payment of \$25,000 due in July 1976, and the value of the construction services (\$44,515) are shown in the accompanying balance sheet as deposit on property. The installments due in July 1977 and 1978 of \$25,000 each and the \$50,000 payments due in 1979, 1980 and 1981 have not been paid and have been deferred by the seller. Total interest due at December 31, 1981, under the agreement, amounts to \$170,000, of which \$100,000 has been paid, and the balance of \$70,000 has not been paid or accrued.

Spectans Associates Analysis of Interest Expense - Acct. # 434-000

(A) MOHAWK VALLEY REMB. BANK:

Interest expense per schedule FF-4 \$ 29941

(B) DEPT. OF ECON. DEVELOPMENT / A.A.:

(See amortization schedule) \$ 1685

(C) CANADA NATIONAL BANK:

(Interest rate is one point over prime).

Balance on loan @ 4/1/81 \$ 760000

Balance on loan @ 9/30/81 617500

1377500

Ave. balance thru 9/30/81 \$ 688750

Ave rate on loan thru 9/30/81 x 21.5%

\$ 148081

Interest thru 9/30/81 $\$ 148,081 \div 12 \times 9 =$ \$ 11061

Ave. balance 10/1 - 12/31/81 \$ 593750

Ave. rate on loan 10/1 - 12/31/81 x 20.6%

122312

$\div 12$

x 9

Interest expense 10/1 - 12/31/81 30578

Interest expense - CNB 1981 \$ 141639

MON.	INT. RATE
OCT. 81	21.5%
NOV. 81	21.2%
DEC. 81	19.0%
	<u>62</u>
Ave. Rate	<u>$\frac{3}{20.6\%}$</u>

Logans Associates *Analysis of Interest Expense - Acct. # 434-001*

① ONB / 11-Mo Loan:

Balance @ 7/81	\$140,000	
Balance @ 12/81	40,000	
	<u>180,000</u>	
	$\div 2$	
Ave. loan balance	\$90,000	
Appx. rate of interest	2.10%	
Interest expense	\$18,900	$\div 2 =$
		<u>\$9,450</u>

② ONB - Auto Loan: (Est.)

\$1,300

Summary of Interest Expense:

①	See above analysis	\$29,941
②		1,685
③		141,639
④		9,450
⑤		1,300
⑥	Total Int. expense	<u>\$184,015</u>